

SERBIA-MONTENEGRO:
Development of the Not-for-Profit NGO Sector
1998

OVERALL RANKING: 5.4

The NGO sector in Serbia and Montenegro is bifurcated in a number of ways: between those NGOs inherited from the old system, versus the "independent" NGOs; and between the primarily Belgrade-based NGOs established in the early nineties, and the new generation of NGOs which sprang up in the aftermath of the 1996/97 demonstrations. The demonstrations introduced a new generation of disaffected to political and social activism. These new activists have brought fresh energy and ideas into the sector. They face numerous obstacles, however, and risk burning out and dropping out. These include: lack of experience and know-how in turning ideas into action, financial constraints, disapproval and harassment by authorities, especially in towns governed by the ruling coalition, and a lack of cohesion among activists themselves.

LEGAL ENVIRONMENT: 5.0

Progress: Legal provisions indicate relatively liberal NGO registration procedures at the Federal level. Registration, in practice however, can be indefinitely stalled for politically active NGOs. A new NGO law has been drafted by NGO activists. Comments have been solicited from the wider NGO community. A handful of Ministry of Justice attorneys and nongovernmental lawyers are knowledgeable about NGO legal issues. The Belgrade-based Center for the Development of the Not-for-Profit Sector provides some legal assistance to NGOs, especially with regard to NGO registration. Other Belgrade NGOs provide such assistance to peers on an occasional basis. Up to 1% of the total income of for-profit companies is tax deductible if donated. Money spent on humanitarian, cultural, health, educational and sport activities is treated as "money spent". The state controls where donations are sent. If a business donates to a cause that is viewed unfavorably by the state, it can create problems for itself. Thus the new, autonomous NGOs do not benefit from this system of giving. Humanitarian assistance is tax exempt, according to the taxation law, only if distributed through the Red Cross or the Office of the Serbian Refugee Commissioner. Some NGOs charge for services and engage in other revenue-raising activities. Revenues used to support programmatic and core administrative costs are not subject to taxation.

Constraints: Laws on citizens' associations (republican and Federal) are not adjusted to the existing republican and Federal constitutions. Registration at the republic level is the responsibility of the police. Registration procedures are not well known. The absence of a legal framework for international NGOs (INGOs), puts them in a legal limbo, affecting their ability to engage in banking, employment, and other day-to-day operations. State ambivalence towards NGOs usually takes the form of bureaucratic intransigence (stalling on permits, etc.). In some cities, NGO activists are subject to harassment by authorities. Federal law on citizens' associations, under which the largest number of NGOs are registered, does not envisage self-financing by NGOs.

ORGANIZATIONAL CAPACITY: 5.0

Progress: Approximately a dozen NGOs -- primarily human rights, anti-war, and women's NGOs -- most Belgrade-based and founded in the early 1990s, have a well-defined mission, well-established reputation, set of activities, and loyal (international) donors. A new generation of NGO's has sprung up, many in the cities outside of Belgrade. An NGO support center provides information and some consultation services, issues a directory of NGOs and a newsletter, and plans to extend this to other types of assistance and services. A cadre of local trainers, who can teach basic NGO management skills, is active.

Constraints: Few of the more mature NGOs distinguish rigorously between staff and the board of directors. More specialized training in NGO management, fundraising, managing as a board and the like, is needed. The new cadre of NGOs are just beginning to define their mission, develop activities, and cultivate donors. They are discovering the need to learn how to budget, plan, write proposals, track expenditures and program impact. Newer NGOs frequently lack access to information and training as well as space, phones, e-mail and basic office equipment. There is a shortage of professionals within organizations and insufficient use of volunteers.

FINANCIAL VIABILITY: 6.0

Progress: Volunteers fuel most NGOs. A core group of Belgrade NGOs are adept at fundraising, and have a diverse set of international donors. Some NGOs enjoy in-kind support from municipalities, primarily in the form of office space. A handful of NGOs raise funding or supplement their budget through revenue generating activities. Local philanthropy is limited, however. The "new rich" of the society have not acquired a habit of philanthropy. However, they do support sport and entertainment activities. NGOs tend to bypass their assistance, partly because of the questionable nature of the origin of some of these assets.

Constraints: Most NGOs make do with little, or struggle from grant to grant. Many activists lack basic fundraising skills. The deteriorating state of the economy indicates that NGOs will remain

primarily dependent on international sources for the foreseeable future. Over the past several years, refugee service-providing NGOs have been the recipient of technical assistance from international humanitarian organizations, but as assistance levels declines they will face the need to broaden their support base.

ADVOCACY: 6.0

Progress: Narrowly defined advocacy organizations, especially with a human rights, women's, ethnic minority, or anti-war focus, exist. Newer advocacy-oriented NGOs include: election monitoring and reform NGOs, a judges' association, and an association of reform-oriented municipal councilors. Advocacy consists primarily of documentation of abuses, demonstration and protest. There have, however, been examples of effective public awareness raising and coalition building. Communication among NGOs is improving as a result of the efforts of institutions such as the Center for the Development of the Non-Profit Sector and Civic Initiatives.

Constraints: Republic and Federal government bodies are perceived as uninterested and unresponsive, even at the local level where there are some ostensibly reform-minded governments. Little contact takes place between NGOs and governmental entities. There is limited experience or belief in maintaining open lines of communication between governmental and nongovernmental sectors, and in pursuing collaborative approaches to problem solving. Fear of government reprisal on issues such as the treatment of minorities, leads to self-censorship (ex. Sandzak).

PUBLIC IMAGE: 5.0

Progress: The activities of a limited number of larger NGOs are covered in the independent media. Other NGOs are generally considered insignificant. Some reform-minded local governments are open to NGOs, especially those NGOs such as the European Movement, that engage in economic development activities.

Constraints: The overall attitude toward NGOs, whether in the state or independent media, is generally one of ignorance and underestimation. Editors and journalists can benefit from greater exposure to NGOs and their work. State media outlets are generally silent about NGO activity, or attack NGOs as anti-state and enemy organizations. The public and most government officials are generally uninformed or suspicious of NGOs. The concept of "non-governmental" is often interpreted as "anti-governmental". Suspicion of ulterior motives, such as self-enrichment or employment, is widespread. NGOs themselves do not fully understand the importance of the media, and many NGO activities remain unreported.

THE SLOVAK REPUBLIC:
Development of the Not-for-Profit NGO Sector
1998

Overall Ranking: 2.8

Slovakia is a country of slightly more than 5,300,000 people, with approximately 75% of the population living in rural areas and small towns. The largest concentration of NGOs is in the Western part of the country, near the capital. From a handful of organizations in 1989, the Slovak non-governmental sector has grown to over 17,400. Of that number, 1,957 were registered as foundations and 15,433 as civic associations -- the only two legal options available at the time. (Under the current system, trade unions are included under the heading of civic associations.) Of the universe of 17,400, only 20% are considered to be active. The largest number of NGOs operate in the field of culture and recreational activities (including sports), followed by humanitarian and charity organizations, and then by environmental NGOs.

LEGAL ENVIRONMENT: 3.5

There is no established definition of what is a non-governmental, non-profit entity, nor is there a single law which governs the activities of NGOs. The Slovak Constitution guarantees the right of association and with the enactment of two laws in 1997, the "Law on Non-Investment Funds" and a "Law on Nonprofit Organizations Providing Beneficial Public Services", the basic legislative framework for NGOs is in place. However, this framework needs to be revisited as it does not meet international standards in all regards and is not appropriate for the optimal functioning of NGOs.

Slovak NGOs are able to register and operate under four laws, which vary in their degree of favorability. Civic associations are regulated by the "Law on the Association of Citizens," which allows for easy registration and operation, with no undue restrictions or state control. The 1996 Law on Foundations, however, introduced several new bureaucratic and administrative requirements, including minimum basic assets in the amount of 100,000 Slovak Crowns (approximately 3,000 USD), a ceiling of 15% on administrative expenses, and a prohibition on entrepreneurial or business activities (foundations are defined as purely grant-making organizations). Of the 1,957 foundations registered when the law went into effect on September 1, 1996, only 357 were able to meet the requirements and re-register under the new Law. Another 932 foundations re-registered under other legal form, such as civic association. The remaining 668 foundations simply disappeared. It should be noted that it is likely that a significant number of these foundations were already inactive at the time the new law was introduced, so the impact of their disappearance was not as dramatic as it may sound. Both the Law on Non-Investment Funds

and the Law on Nonprofit Organizations Providing Beneficial Public Services impose some restrictive requirements on the operation of NGOs registered under these legal forms, such as a cap on administrative expenses and stringent audit requirements for even small organizations. Neither of these legal forms are frequently utilized at this time.

NGOs are exempt from tax on income generated by related activities but are required to pay income tax on non-related income in excess of 100,000 Slovak Crowns per year. NGOs do pay value added tax and import duties on goods and services purchased. Exceptions to this are goods and services purchased under funding from EU Phare and goods purchased for charitable purposes. Individuals may deduct donations up to 10% from the base taxable income. Legal entities may deduct donations up to 2% of their base taxable income for single gifts exceeding 2,000 SK.

From the outset, one of the major goals of the Gremium for the Third Sector has been the development of a legislative framework which would support the development of the NGO sector in Slovakia. The Legislative Committee of the Gremium is the principle avenue through which the NGO sector seeks to advocate for an improved legislative environment. Over the past year, the Legislative Committee has been meeting with NGOs and officials from neighboring countries to examine their legislative frameworks as possible models Slovakia can draw from when the time comes to revisit their NGO legal framework, i.e. once a more NGO-friendly government comes to power. An analysis of the legal framework was carried out by the Legislative Committee, identifying weakness in the current laws, and ways to improve the operating environment for Slovak NGOs. There are also on-going discussions among the NGO sector on ways to address their financial weaknesses, primarily the weak domestic donor base and the over-dependence on foreign funders. Under the Social Policy Analysis Center, lawyers were trained and retained in four of the regional SAIA branch offices to provide legal advice to NGOs on issues of registration and other issues related to compliance and operation under the NGO legal framework.

ORGANIZATIONAL CAPACITY: 3.0

The level of organization capacity varies, but the leading NGOs in the country do have a clear sense of mission which in most cases is problem-driven. However, it can be surmised that donors influence the mission of NGO in some cases. We have seen in the past year, however, some clear examples that NGOs are ready to accept a decrease in funding in cases where a donor's proposed activity is deemed outside the scope of the NGO's principle activities, or where the NGO finds the demands of the donor to be incompatible with their own goals and objectives.

The number of full- or part-time employees working in NGOs is around 5,100 as of the latest available figures from 1996. There are some 400,000 volunteers working closely with NGOs, i.e. on a regular basis; with an addition 395,000 volunteers cooperating with NGOs on a less frequent basis.

NGOs are beginning to recognize the importance of board development. However, the 1997 *Assessment of Slovakia's Third Sector* undertaken by the Foundation for a Civil Society among a representative sample of 203 NGOs found that many boards are currently comprised of founders and/or staff, with few having constituents or cross-sectoral representation. There is also little understanding of the separation between governance and program functions, with many boards taking an active role in the day-to-day management of the organizations. The *Assessment* also found that NGOs often have problems attracting board members.

FINANCIAL VIABILITY: 4.0

The state budget includes amounts for social benefit purposes which are distributed to state entities, civic associations, foundations and other organizations through contracts, subsidies, grants or targeted contributions made by individual ministries, local administrative authorities, or through special funds. The proposed budget for 1996 included 563,996,999 SK for public benefit purposes, including sports. Most social welfare, health care and education institutions are state owned or controlled and receive basic funding from the state budget. In the past four years, governmental funds have become increasingly difficult to obtain for the average NGO. This is primarily because of the Government's clear preference in its funding decisions for certain NGOs who are pro-Government in their positions. The transparency and objectivity of decisions made by government officials or grant committees has been very low in recent years.

Most of Slovakia's registered domestic private foundations are operational rather than grantmaking, and many were established to fulfill a special purpose of assist a specific institution. Those foundations that make grants are generally re-grantors of funds received from abroad and do not have significant endowment funds. The first attempts to build endowments are being made by emerging community foundations which are also fostering cross-sectoral co-operation at the local level.

In-kind and cash contributions are common in Slovakia, at both the corporate and individual levels. According to the Ministry of Finance, the total financial contributions of corporations in 1995 was approximately \$13 million, an increase from \$9 million in 1994. In 1994 and 1995, individual taxpayers deducted contributions of \$4 -\$5 million for charitable purposes.

In 1996, there were numerous discussions among the NGO and donor community on the concept of community philanthropy and how to support it. Out of these discussion emerged the Community Philanthropy Development Initiative (CPDI) and a year long study on the feasibility of the concept

in Slovak conditions. That report was issued in July 1998, and a principle finding of the study is that the NGO sector is in potential trouble due to uncertain financing in future. Though funds are not the only factor for sustainability, the relatively high influx of foreign funds after 1989 is gradually being phased out and local sources to replace them are not yet ready.

The study also found that philanthropy in Slovakia exists and has specific features characteristics of a post-communist country. Corporate giving is on the rise and has significant potential as the economy grows. Individual giving is also wide-spread. However, it still needs to be promoted as desirable behavior among the population at large. Among the NGO community, asking for funds is still a relatively rare art, as opposed to the relatively sophisticated proposal writing skills which exist. Philanthropy in Slovakia is characterized by in-kind giving, lack of cash and relatively high number of potential donors of small gifts. The authors of this study found that the experiences of the five existing community foundations in Slovakia represent a viable tool for raising the philanthropic culture in Slovakia. The challenge for these community foundations in the next 5 -7 years is to build sustainable endowments.

ADVOCACY: 2.0

The NGO sector has begun to create its own infrastructure, including regional associations and national umbrella organizations. The Slovak Academic Information Agency - Service Center for the Third Sector (SAIA-SCTS), which has branch offices throughout the country, provides information, advice and training for NGOs, in addition to acting as a clearinghouse for information on Slovakia's third sector. Other umbrella organizations include: the Slovak Humanitarian Council, the Slovak Catholic Charity, the Youth Council of Slovakia, and the Union of Civic Associations and Foundations (a purely GONGO organization). SAIA-SCTS and the Slovak Humanitarian Council both publish monthly newsletters for NGOs and SAIA-SCTS maintains a directory of Slovak NGOs. In the past few years there has been a rise in the number of technical publications and special studies prepared by Slovak NGOs, or about Slovakia's NGOs. The population of professional managers and program specialists is also growing. Slovakia's Third Sector holds an annual, nationwide meeting called the Stupava Conference, at which NGOs meet to discuss trends and issues in the sector, establish priorities for the sector's development for the ensuing year, as well as to establish contacts and cooperation within the sector.

The representative body of the NGO sector is Slovakia in the Gremium for the Third Sector which has as its fundamental purpose to advocate and promote the interests of NGOs, to develop partnerships with government, business, trade unions, etc., to explain and promote the work of NGOs at national level and abroad, and to co-ordinate information and service activities for NGOs. The Gremium is an unconstituted volunteer body which is elected annually at the Stupava Conference, and is comprised of 28 members, three from each of the seven sectoral areas (i.e. humanitarian and charitable, children and youth, culture, education, environmental, human rights, and community initiatives) plus one representative from each of the seven Regional Gremia. The

Gremium elects a Spokesperson and forms working groups to carry out the program established during the Stupava Conference. In 1997, following the territorial redistricting carried out by the Slovak Government, the NGO sector responded by forming Regional Gremia to correspond to the new state administration, and to strengthen cross-sectoral partnerships and increase cooperation among NGOs operating in the region.

The Gremium has been successful in mobilizing NGO support for large initiatives. For example, in 1996, in response to the Government's Bill on Foundations, the Gremium mobilized the NGO sector in the "SOS Third Sector Campaign" to try and prevent passage of this Bill. They carried out a nationwide media campaign to educate the public and policy makers about their concerns and even drafted alternative legislation.

In February 1998, the NGO sector launched an initiative called Civic Campaign '98 (OK'98) to support free and fair parliamentary and local elections in 1998. The Campaign works on a non-partisan basis to increase voter awareness of the issues and candidates in the campaign and to increase voter turn-out for the elections. The parliamentary elections were held in September 1998, with local elections scheduled for November. Public opinion polls carried out before the parliamentary elections showed that the voter education efforts of the NGO sector had a direct impact on people's level of awareness of the issues, and involvement in the election process. NGO efforts clearly contributed to the 84% general voter turn-out for these elections (compared with the 75% in 1994), and the over 80% turn-out among first time and young voters for these elections (a dramatic increase from the estimated 20-40% among this age group in the 1994 elections).

PUBLIC IMAGE: 1.5

According to repeated public opinion polls, the image of NGOs among the public is prevailingly positive, despite the recent attempts of the prior HZDS government to cast the sector as oppositional and anti-Slovak. In fact, it can be said that their effort backfired among the vast majority of the population. For example, NGOs reported that the Government's efforts served to increase people's curiosity about what they were doing, and helped attract positive attention to their efforts.

While social and humanitarian NGOs are perceived as the most useful, people are becoming more aware of the usefulness and importance of NGOs operating outside these sectors. SAIA-SCTS monitors media coverage of the NGO sector on an on-going basis. From this monitoring effort it is clear that the NGO sectors is richly and positively reported on by the Slovak media. While NGOs had been attacked in the pro HZDS newspaper and State TV, this coverage was offset by other media, as most Slovaks get their news from more than one source. An analysis of the media coverage from 1995-97 carried out in 1997 showed that NGOs are using the media to inform the public about their activities, the principles under which they operate, and to advocate for the interests of the sector and their constituency.

TAJIKISTAN:

OVERALL RANKING: 6.6

In Tajikistan, the lack of security, minimal economic development, and unclear policies and procedures regarding financial and business operations all contribute to the incipient nature of the NGO sector. These constraints render any activity by NGOs a success in itself. Specific problematic areas include: confusing and restrictive NGO registration and tax laws; a tendency for NGOs to be "one person shows;" financial dependency on international donors; and a lack of communication and general misunderstanding among NGOs, the government, and the media. Despite the macro-level economic and political problems, a number of NGOs in Tajikistan are exhibiting movement to higher stages of development.

Development of the Not-for-Profit NGO Sector
1998

LEGAL ENVIRONMENT: 6.5

The state remains a dominant force in the Tajik NGO sector. Confusing and restrictive legal provisions and the lack of effective or fair enforcement/implementation of the laws make NGO registration, democratic governance and operations difficult. The high cost of registration and bureaucratic impediments also restrict registration and operations. Positive signs include that NGOs are expressing interest and taking initial action to begin to coalesce and form coalitions to address legislative reforms. In addition, a few local lawyers are beginning to express interest in providing services to address NGO issues.

ORGANIZATIONAL CAPACITY: 6.0

Tajik NGOs tend to be "one person shows," and often split apart because of personality conflicts over leadership/control issues. More organizations are beginning to reflect the impact of training and proposal review and feedback regarding strategic planning and constituency building. In many cases, proposals lack an understanding of program monitoring and evaluation. Some NGOs are demonstrating increasing capacity to organize their work and build their constituencies. There is

apparent readiness in some NGOs for special advanced training.

FINANCIAL VIABILITY: 7.0

Potential local fundraising sources are rare and funding remains overwhelmingly provided by international donors. A depressed economy and a lack of business and financial infrastructure are major factors in this dependency. New NGOs lurch from grant to grant and often depend financially on one or two foreign sponsors. NGOs generally are in need of assistance in designing and administering projects responsibly and in writing funding proposals.

ADVOCACY: 6.5

Tajikistan is near the brink of experiencing a collapse of political opposition, that has harbored activists of several stripes. Given this environment, NGO activists remain afraid of confronting or engaging in a dialogue with the government. Many believe that the government will neither listen nor understand their views and recommendations. The emergence of narrowly defined NGO action has focused upon influencing the review and development of new and revised legislation, based upon expert analysis and input. Many organizations that do approach government present their cases at inappropriate levels or plead their cases to the wrong branch.

PUBLIC IMAGE: 7.0

The government is uninformed and suspicious of NGOs as an institution or sector. The public does not understand the concept of "non-governmental," "not-for-profit," or even "volunteerism." The media is under government control and remains either uninterested or hostile towards NGOs. While relationships with journalists have been established and they often attend NGO events, they are often frustrated by the fact that their material is not printed or presented on air. Some individual NGOs recognize the potential value of engaging even a controlled media to educate the public. However, other NGOs still actively avoid media exposure of their operations, grants and cooperative efforts, fearing that the government or criminal elements will take advantage of the information.

Ed: These scores were based upon an in-depth review by Counterpart Consortium/Tajikistan of the NGO sector in February 1998.

UKRAINE:
Development of the Not-for-Profit NGO Sector
1998

OVERALL RANKING: 4.2

A persistent obstacle to developing a sustainable NGO sector in Ukraine is the inhospitable legal and regulatory environment. While awareness about the role of NGOs in public society is increasing, it is unlikely that the average person is much concerned about the development of the third sector when economic conditions are as difficult as they are. Despite these problems, the number of registered NGOs continues to grow, and to the extent that the benefits of participating in these organizations touches a greater number of people, this awareness is likely to improve.

On the whole, there is often public misunderstanding about the role NGOs can play in society, such as being a “watchdog” over the government and providing social services that the government can no longer provide. Similarly, some misunderstanding exists among government officials about the role of NGOs. Often, the government views NGOs as its competitor, which is understandable given that the government had complete institutional monopoly for 70 years of Communist rule.

On the financial front, some evidence exists that private and corporate donors are willing to make financial contributions to NGOs, however, the practice is not widespread. Overall, the ability of NGOs to sustain themselves is limited by the poor economic situation and lack of legal clarity on the status of NGOs.

LEGAL ENVIRONMENT: 4.6

Progress: The year 1997 began as a hopeful one for the NGO sector. A draft comprehensive NGO law that had been put together with active citizen and NGO participation, and with considerable backing by international donors, was submitted for consideration to the Verhovna Rada. Unfortunately, the draft languished without a reading. The newly elected Parliament presents an opportunity to present a forceful case for passage of the law. International donors are mobilizing to support the effort including funding a “campaign manager” to help shepherd the law to passage, legal advice, and the translation and printing of an information book on not-for-profit law. The book will be distributed to all parliamentarians through the US-Ukraine Foundation’s Parliamentary Development Project. The draft law will likely be re-registered and placed on the legislative agenda in the Fall of 1998.

Constraints: Not only did the Rada not adopt the draft NGO law last year, but on one of the last days of its session, it passed a Law on Charitable Organizations that caused considerable confusion in the NGO community. For example, the law appeared to grant tax exempt status to charities (as opposed to other types of NGOs) in apparent violation of the precept that only tax laws may grant exemptions. While this charities law is likely to be overturned, the need for a broader NGO law remains urgent. Some of the issues the NGO law needs to address are: 1) granting NGOs special tax

status as not-for-profit organizations to enable them to raise funds for their activities; 2) legal recourse in the event an NGO is denied registration by the Ministry of Justice or local government agencies; and, 3) explicit tax incentives for private organizations and individuals to donate funds or in-kind contributions to NGOs.

ORGANIZATIONAL CAPACITY: 3.7

Progress: Sound management and financial skills are clearly lacking in the NGO sector in Ukraine. These concepts are very new to these budding organizations. USAID (through various PVOs) and other donors have provided some very basic training in the areas of project design and NGO management. Topics covered include community organization and needs assessment, by-laws and mission statements, program planning, staff recruitment and training, fund-raising and grant-writing, financial management, program implementation, program evaluation, government relations, etc. The Counterpart Creative Center, an all-Ukrainian NGO, has been a strong player in the training of NGO leaders. Ten NGO resource centers are supported throughout Ukraine. These centers provide access to computers, photocopiers and fax machines as well as providing training and disseminating/sharing information among NGOs and supporting the development of NGO coalitions. To bolster organizations that depend on volunteers and citizen activism, some donors, the new USIS/ACCELS program is an example, are launching efforts to promote civic participation.

Constraints: According to statistics from the Boston-Kiev Sister City Association and anecdotal evidence, only about half of registered NGOs survive beyond the first two years of their existence. Many factors account for this, but lack of organizational capacity is likely a major contributor. Experience shows that it is difficult to generalize about organizational capacity of NGOs in Ukraine. NGOs in cities appear to have a better chance of surviving, although 70 percent of all NGOs are in cities, which may lead to an increased failure rate for urban NGOs. Kyiv, as the capital, enjoys the largest concentration of NGOs, but also the best potential for viability. As for networking among NGOs that could promote their longevity, there are no highly visible umbrella groups to address common issues. Some groups being organized by participants in the USIS Community Connections program appear to be an emerging force. The NGO Resource Centers provide a means for NGOs to find common ground, and could develop into important players.

FINANCIAL VIABILITY: 4.6

Progress: NGOs are receiving financial support from a variety of donors active in Kyiv, such as USAID (i.e., USAID supported U.S. PVOs, Eurasia Foundation), International Renaissance (Soros) Foundation, United Nations, TACIS and the Canadian, British and Dutch Embassies. Increasingly, donors are attaching provisos for local NGOs to come up with matching funds, cost-shares, or in-kind contributions to their competitive grant-making criteria. NGOs are able to meet these

conditions, usually by counting public support such as volunteer labor, or in-kind contributions such as government provided office space. Attendance at grants management seminars is a typical requirement of donors for first-time grantees. USAID-supported Counterpart Alliance for Partnership has launched a “Corporate Challenge” Grants Program in which NGOs seek corporate donors and the USAID/Counterpart matches the grant dollar for dollar up to \$5,000. Of the first set of grants, all but one involve entirely Ukrainian businesses. Some state enterprises and private corporations appear to be willing to engage in long-term support of NGOs.

Constraints: Sustainability of indigenous NGOs has become a major issue for the international donor community, and for NGOs alike. It is difficult even for very entrepreneurial NGOs to diversify their sources of funding. Ukrainian private corporations that do support NGOs shun publicity, rather than seek it out, in order not to attract the attention of large numbers of applicants or of tax authorities. The ability of the third sector to become self sustaining is clearly linked to improvement in economic conditions. NGOs are unable to earn revenues beyond membership dues without being treated as a for-profit business under the tax code. Some NGOs have managed to earn revenues through various arrangements (by establishing separate subsidiaries for example). Current laws do not allow NGOs to sell publications, charge fees for seminars, or otherwise recoup expenses. To the extent that the legal framework can be changed, there may be some cause for optimism on the financial viability front.

ADVOCACY: 4.4

Progress: Advocacy groups focusing on politics, business, health care, social welfare, and environmental concerns have sprung up in a civic response to concerns on specific issues. There have been a number of cases of successful advocacy by NGOs on behalf of citizen interests. Environmental NGOs have won some highly publicized court cases against enterprises and local governments, and the Ukrainian Association of Cities continues to lobby the central government for greater decentralization. Trade associations and public policy NGOs will likely jockey for greater visibility as they pursue their causes with the new parliament.

Constraints: NGOs lack experience in civil society. This hinders the development of public support in a society where a “What’s the use?” attitude prevails. Despite the success of a few NGOs recently, NGOs typically play an extremely limited role in affecting public policy or in successfully advocating citizens’ interests. NGOs have not yet been recognized by government as legitimate spokesmen for their respective constituencies.

PUBLIC IMAGE: 3.9

Progress: Ukrainians realize the extent of the problems facing their country and are beginning to acknowledge that government alone cannot remedy this situation. There is a growing openness to the role that NGOs can play in easing the economic transition. In some cases, human rights investigations, regular public opinion polls, public policy journals, and political TV programs are products of NGOs and have helped contribute to their social and political stature. For example, there has been greater debate and media coverage throughout Ukraine of the issue of women's role in Ukrainian society, catalyzed in part by women's NGOs.

Constraints: Although some Ukrainian governmental officials understand and appreciate the role NGOs may/should play in the society, the majority of them, having no experience working with NGOs, see NGOs as a threat to their authority and sometimes use their power to limit NGOs' participation in the social and political restructuring of the country. A significant portion of the public still view NGOs with suspicion, regarding them as a means by which businesses avoid taxes, or politically powerful individuals can profit, as happened in highly publicized cases where abuse has occurred.

UZBEKISTAN
Development of the Not-for-Profit NGO Sector
1998

OVERALL RANKING: 4.9

At last count only 74 NGOs were officially registered in Uzbekistan. However, it is estimated that there are 456 independent NGOs actively working in the country. There are also a number of quasi-governmental NGOs (GONGOs), which are better known to the public than are “grassroots” organizations. These GONGOs have office space provided by the government in most of the major cities of Uzbekistan. There have been attempts by the government to co-opt certain potentially powerful NGOs, such as the electronic media association, and to create GONGO umbrella organizations, as in the case of artisan NGOs. NGOs that work in local communities appear to be more effective than those that do not, even if they are often quite small in membership.

Geographically, the majority of NGOs are in Tashkent, but there also exist growing NGO communities in the Ferghana Valley, Samarkand and Bukhara, and in Karakalpakistan. While the government of Uzbekistan tends to be restrictive of NGO activity and views them with suspicion, NGOs have found interesting ways to work in an advocacy capacity through informal contacts in their communities and with local governments.

Many Uzbek NGOs show promise in being financially sustainable, if an advantageous legal climate is established which will allow Uzbek NGOs to recover costs or provide services for a fee. Aside from the mostly restrictive legal and governmental climate, NGOs tend to be small, weak in constituency building, dependent upon foreign donors for financial sustainability, and lacking in strong governance structures. They are usually not transparent in either their governance or their finances.

LEGAL ENVIRONMENT: 5.6

The Public Associations law controls the registration and regulation of NGO activity. The law places geographical restrictions on activity and registration, and there are burdensome and time-consuming regulations complicating the application process. The law requires a 10-person founding group and requires all names, addresses and telephone numbers (which some may find intimidating). The registration cost is approximately 20 minimum salaries, and there are additional costs for a required seal, opening a bank account, etc., that make the process prohibitively expensive. The result of this environment can be seen in the relatively small number of NGOs that are officially registered with the Uzbek authorities.

The law restricts NGO activities to those specified in the organization's charter, and the tax code is largely ambiguous and allows authorities arbitrary control over NGOs. The government can, and has, put an end to the operations of certain “unwanted” NGOs. Should an NGO wish to expand its mission and activities, it must first change its charter, then go through the expensive and time-consuming process of re-registration, running the risk of arbitrary delays and/or outright refusal of registration.

1998 NGO sustainability Index: Uzbekistan

The government often seems to be openly hostile toward the civil sector, or at least tries to control it as much as possible. The legal framework is often created by decree, and the government wields its powers in a self-serving manner. It has even created NGO umbrella organizations that compel smaller NGOs to join. Tax police have conducted audits of some USAID-supported NGOs, but there is no evidence to suggest that this is part of a greater strategy to harass those groups. Criticism on the part of NGOs can be interpreted as “political activity,” and may constitute a pretext for closure.

There are very few local lawyers with an avid interest in NGOs. The real experts are found in the NGOs themselves, with long experience of trying to register and operate. There is a keen interest among NGOs to establish a means of getting legal advice.

While the letter of the law provides for certain tax breaks, both conflicting laws and arbitrary interpretation of the term “profit” add up to a very non-conducive tax environment. One percent of annual commercial income may legally be donated to an NGO, and even that is liable to be taxed upon receipt by the NGO. Grants are subject to tax, as would endowments if they existed. NGOs engaging in any type of commercial activity are considered commercial entities for tax purposes.

Advocacy efforts are beginning, with the support of international organizations. A joint NGO law working group including: NGO representatives, leading lawyers, government officials and parliamentarians, drafted an NGO law, which would substantially change the regulation and forms of NGOs. The draft was submitted to the Council of Ministers in early 1997, but no official decision regarding the draft has come from the government.

ORGANIZATIONAL CAPACITY: 4.2

An NGO's sense of mission is often impacted by state-imposed limits upon activities, internal “mission creep,” or by problems of internal NGO disagreement over direction. In general, the sectors in which NGOs have the clearest sense of mission are the women's rights movement, and support of the rights of the disabled. In the past, missions were problem-driven, but have become more donor-driven. Management and vision tend to be the purview of a very small group (not infrequently one person), seemingly reluctant to share power and responsibility with others. This has not only led to the dissolution or effective curtailment of some NGO activities, but continues to retard development. Functioning Boards of Directors are rare, and large memberships are non-existent. Most NGOs could not afford a paid staff without international donor grants. Staff is, therefore, almost always comprised of volunteers. NGO directors do not always share their sense of mission with volunteers, and do not engage them in both successes and failures.

There are a growing number of local trainers, but most of them have been cultivated by foreign assistance. Given the size of Uzbekistan, the number of local trainers outside of regional centers still needs to be increased. NGOs that have training capacity must develop a system where the conduct of their training is self-sustainable and not dependent upon international donor organizations. Very little NGO management training is conducted in the local language.

Almost all strong Tashkent NGOs and many in regional centers are equipped with modern computers and other equipment. Almost all of this equipment has been contributed by international donors. There are four NGO resource centers in Tashkent, Kokand, Nukus, and Bukhara. All of these centers offer email use and information for NGOs.

Some NGOs have service delivery capacity, but are hampered by an unwillingness to accept constructive criticism to improve these services. A handful of NGOs provide a basic level of “services” to the government – not through contacts, however, but through informal licensing, usually in the area of education.

FINANCIAL VIABILITY: 4.4

Most NGOs are heavily dependent upon foreign donors, but many NGOs have found ways to raise other revenue. Examples include artisan NGOs that sell their wares, a women’s NGO that helps unemployed women make and sell household items, and an NGO resource center that provides tourist information and email use for a fee. All NGOs engaged in commercial activity are subject tax in the same way as any commercial enterprise. While most NGOs have sufficient resources to remain viable for the short-term, most of these resources are from grants. Nonetheless, in Uzbekistan, more than anywhere else in Central Asia, the prospect of NGOs developing viable small-scale commercial means of financial sustainability is a real possibility for the future.

Financial management systems are very informal unless the NGO is a grantee, in which case the donor usually demands a greater level of fiscal responsibility than most NGOs would normally practice. Even in these cases, most NGOs merely employ a financial accountant for the life of the project and let them go once the grant money has run out. Most NGOs do not understand the vital importance of making their financial management transparent to win the trust of potential donors, including local government and business.

There are a few NGOs who have been able to take advantage of local small businesses as a source of funding, but overall, they seem to favor the Soviet strategy of seeking assistance from the state. While the government definitely favors GONGOs, there are some progressive local governments that seem receptive to helping independent NGOs, even if that be through in-kind, rather than cash, contributions. There is an Islamic tradition of personal philanthropy in Uzbekistan which has great potential. Unfortunately, to date most Uzbek NGOs have not been able to demonstrate to these

sources of philanthropy that their work warrants the assistance of the community.

Raising revenue via commercial activities is considered acceptable by the majority of the NGO community, but both active opposition by the government to this, as well as a type of “self-censorship” (fear that the tax police will confiscate profits, forbid future commercial activity and possibly shut down the NGO) prevent the actual implementation of many such plans. Given the ability to do so, many NGOs in Uzbekistan are likely to have the know-how to use commercial activity as a means of revenue raising.

ADVOCACY: 4.6

At the local level, there is some room for public policy influence on the part of NGOs, but very little at the national level. NGOs are able to be active in less overtly political and controversial issues. Given the authoritarian nature of the Uzbek government, the strategies which Uzbek NGOs employ at the local level are not always visible. They often advocate through close personal, rather than transparent public, links to government officials. Most efforts to increase awareness have dealt with issues of disability and social benefits for the disabled, although women’s issues are increasingly in the public forum where discussions are benefiting from the perspective of women’s NGOs.

Whether due to simple competition for scarce resources (both material and information,) or fear of disclosing information to the wrong person, NGOs often do not share information. Existing networks are informal and ad hoc, with most information-sharing efforts being driven by foreign donors. No coalitions or broad-based advocacy programs exist. However, there are examples of close coordination among NGOs in smaller cities, where they are forced to consolidate vis a vis local government to be recognized.

PUBLIC IMAGE: 4.8

NGOs receive a modicum of media coverage, usually associated with concrete events. Unfortunately, reporters in Uzbekistan often charge a fee for placing materials on NGO activities in the media. We have yet to see attacks on NGOs in the public media.

Public awareness of NGOs, especially “grassroots” NGOs is very limited. Partially due to the translation of the name, non-governmental organizations are sometimes met with the suspicion that they are, indeed “anti-governmental organizations.” According to an 1996 IFES public opinion poll, respondents tended toward passive support of women’s groups and groups working in the area of the environment. Another problem is the fact that some members of the public perceive NGOs merely as ways in which others receive foreign grant funds. This situation is somewhat better in smaller cities where the NGO leaders may be well known members of the community. In these

instances, such NGOs have been able to attract some respect from the general populace locally.

NGO leaders tend to be very proprietary, both in terms of available resources, as well as in terms of “authority” within the community. There are no regular meetings, other than those organized by foreign donors. Foreign donors are also largely responsible for promoting the interests of the NGO sector. Still, when foreign donors take the lead, there are examples of close NGO coordination across sectors, as is the case with the present NGO law drafting effort. Furthermore, there seem to be more examples of coordination between NGOs on the local level in smaller cities outside the capital.

While some NGOs try to promote their activities, their attempts are too often aimed at donors, too rarely at the broader potential NGO constituency. Transparency is not widespread, partially due to fear of the tax police. This is a major obstacle to the improvement of NGOs’ public image and in their potential to attract indigenous donors.